

Message Text

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45

ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 ISO-00 IO-14 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 EB-11 FEAE-00 FPC-01

H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 PA-04 PRS-01 USIA-15 DRC-01 /218 W

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R 260852Z AUG 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 0672

INFO AMEMBASSY ABU DHABI

USMISSION EC BRUSSELS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY BEIRUT

C O N F I D E N T I A L KUWAIT 3588

DEPARTMENT PASS TO OTHER OPEC/OECD CAPITALS

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, KU

SUBJECT: ATEEQI TALKS ABOUT CURRENT OIL AND GAS ISSUES

REF: KUWAIT 3582 (NOTAL)

SUMMARY: KUWAIT MINISTER FINANCE AND OIL ATEEQI TOLD US AUGUST

24 KUWAIT HAS SOLD LARGE QUANTITY LPG TO US/SWEDISH/BRITISH

COMPANY AT \$128 PER TON. HE ALSO INFORMED ME 60 PERCENT

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PARTICIPATION AGREEMENT WITH ARABIAN OIL COMPANY HAS BEEN WORKED

OUT ALONG LINES KOC PARTICIPATION AGREEMENT. RE OIL PRODUCTION, ATEEQI REITERATED THAT KUWAITI PRODUCTION MAY SLIP BELOW 2 MILLION BPD DURING LAST QUARTER 1974. ATEEQI ALSO CONFIRMED HE HAS WRITTEN LETTER TO OPEC COLLEAGUES SUGGESTING NEW OPEC PRICE ARRANGEMENT WHICH WOULD BE IN EFFECT FOR ONE YEAR, AND SUBJECT TO ANNUAL REVIEW. HE HOPES THIS WILL BRING GREATER STABILITY TO WORLD PETROLEUM MARKETS. END SUMMARY.

1. DURING MEETING SATURDAY, AUGUST 24, WITH VISITING U.S. CHAMBER OF COMMERCE OFFICIALS, EMBOFF BOGOSIAN AND ME, KUWAIT MINISTER FINANCE & OIL ATEEQI, VOLUNTEERED INFORMATION ON RECENT OIL AND GAS DEVELOPMENTS WHICH SUMMARIZED AS FOLLOWS.

2. LPG SALE: ATEEQI SAID GOK HAS RECENTLY SOLD SIGNIFICANT AMOUNT LPG TO US/SWEDISH/BRITISH GROUP OF MANDOGAS AT \$128 PER TON. HE SAID GROUP WILL BUY 200,000 TONS DURING REMAINDER THIS YEAR AND 400,000 TONS PER YEAR AFTER THAT. HE INDICATED THAT JAPANESE, WHO TRADITIONALLY HAVE BOUGHT ALMOST ALL KUWAIT LPG, WOULD NOT REPEAT NOT AGREE TO KUWAIT PRICE AND THEREFORE, COULD NO LONGER COUNT ON LPG WHICH IS BEING SOLD TO AMERICAN/ EUROPEAN COMPANY. (FROM ATEEQI'S MANNER IN SPEAKING ON THIS SUBJECT, I GATHER KUWAITI-JAPANESE NEGOTIATIONS ON GAS ENDED ON RATHER UNPLEASANT NOTE).

3. AOC PARTICIPATION: ANOTHER DEVELOPMENT WHICH ATEEQI SAID "MADE THE JAPANESE ANGRY", WAS AGREEMENT WITH JAPANESE OWNED ARABIAN OIL COMPANY FOR 60 PERCENT PARTICIPATION AGREEMENT ALONG LINES OF THAT REACHED WITH KOC. ATEEQI SAID THAT EQUITY AND BUY-BACK PRICES FOR AOC WOULD BE SAME AS GOK ARRANGEMENTS WITH BP AND GULF (INCLUDING THEIR BEING RETROACTIVE TO JAN FIRST OF THIS YEAR), BUT HE DID NOT REVEAL AMOUNTS OF BUY-BACK OIL WHICH AOC OWNERS INTEND TO TAKE. IN REPLY TO QUESTION BY EMBOFF, ATEEQI CONFIRMED GOK DID NOT REPEAT NOT INTEND ENTER INTO PARTICIPATION DISUCSSIONS WITH AMINOIL, OTHER ARRANGEMENTS (I.E. 85 PERCENT TAX) HAVING BEEN MADE.

4. OIL PRODUCTION: ATEEQI AGAIN STATED THAT GOK INTENDS TO LIMIT PRODUCTION TO 2 MILLION BPD DURING FOURTH QUARTER 1974. FEW DAYS AGO SENIOR OIL MINISTRY OFFICIAL TOLD ME GOK HAD BEEN ABLE MARKET ONLY AROUND 40,000 TO 50,000 BPD OF PARTICIPATION
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CRUDE BEYOND 700,000 BPD RECENTLY SOLD TO GULF AND BP, LEAVING ABOUT 450,000 BPD, PRODUCTION OF WHICH BEING SHUT IN. ATEEQI SAID THAT KUWAITI PRODUCTION WILL BE LIMITED AS LONG AS PRESSURE CONTINUES TO REDUCE PRICE. (GOK HAS STILL NOT DECIDED WHETHER OR NOT GULF/BP ALLOWABLES WILL BE REDUCED DURING FINAL QUARTER).

5. ATEEQI/OPEC PROPOSAL: ATEEQI ALSO CONFIRMED THAT HE HAS

INFORMALLY DISCUSSED WITH SELECTED OPEC MINISTERS AND HAS
FORMALLY WRITTEN TO ALL HIS OPEC COLLEAGUES SUGGESTING, IN
INTEREST OF STABILITY, THAT NEW PRICE ARRANGEMENT BE
INSTITUTED WHEREBY PRICES WOULD BE WORKED OUT ANNUALLY
RATHER THAN QUARTERLY AS IS THE CASE NOW (REFTEL). HE SAID
SOME DEVICE TO COVER DEVALUATION WOULD HAVE TO BE WORKED OUT.
ATEEQI INTENDS TO ARGUE ON BEHALF OF HIS PROPOSAL AT THE SEPT
12 OPEC MEETING AND HE IS REASONABLY CONFIDENT THAT HE WILL BE
ABLE TO SUCCEED.
STOLTZFUS

NOTE BY OC/T: NOT PASSED OTHER OPEC/OECD CAPITALS.

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